

SUPPORTING STATEMENT
For the Paperwork Reduction Act Information Collection Submission for
Form N-CSR

A. JUSTIFICATION

1. Necessity for the Information Collection

Form N-CSR¹ is a combined reporting form used by registered management investment companies (“funds”) to file certified shareholder reports under the Investment Company Act of 1940 (“Investment Company Act”)² and the Securities Exchange Act of 1934 (“Exchange Act”).³ Specifically, Form N-CSR is to be used for reports under section 30(b)(2) of the Investment Company Act⁴ and section 13(a) or 15(d) of the Exchange Act,⁵ filed pursuant to rule 30b2-1(a) under the Investment Company Act.⁶ Reports on Form N-CSR are to be filed with the Securities and Exchange Commission (“Commission”) no later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under rule 30e-1 under the Investment Company Act.⁷

2. Purpose and Use of the Information Collection

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. The information provided in reports on Form N-CSR may be used by the Commission in its regulatory, disclosure review, inspection, and policymaking roles. Unlike many other federal information collections, which are primarily for the use and benefit of the collecting agency, this information collection is also for the use and benefit of investors. The information filed with the Commission permits the verification of compliance with securities law requirements and assures the public availability and dissemination of the information.

On May 25, 2022, the Commission issued a release proposing amendments to Form N-CSR that would require a registrant that would be required to disclose

¹ 17 CFR 249.331 and 274.128.

² 15 U.S.C. 80a-1 *et seq.*

³ 15 U.S.C. 78a *et seq.*

⁴ 15 U.S.C. 80a-29(b)(2).

⁵ 15 U.S.C. 78m(a) and 78o(d).

⁶ 17 CFR 270.30b2-1(a).

⁷ 17 CFR 270.30e-1.

aggregated Greenhouse Gas (“GHG”) emissions of its portfolio in its report transmitted to stockholders pursuant to rule 30e-1 under the Investment Company Act to provide additional information regarding any assumptions and methodologies the fund applied in calculating the portfolio’s GHG emissions disclosed in its prospectus or shareholder reports, and any limitations associated with the fund’s methodologies and assumptions, as well as explanations of any good faith estimates of GHG emissions the fund was required to make.⁸

3. Consideration Given to Information Technology

The Commission’s Electronic Data Gathering, Analysis, and Retrieval (“EDGAR”) system automates the filing, processing, and dissemination of full disclosure filings. This automation has increased the speed, accuracy, and availability of information, generating benefits to investors and financial markets. Reports on Form N-CSR are filed with the Commission electronically on EDGAR.⁹ The public may access filings on EDGAR through the Commission’s Internet website (<http://www.sec.gov>) or at EDGAR terminals located at the Commission’s public reference rooms.

4. Duplication

The Commission periodically evaluates rule-based reporting and recordkeeping requirements for duplication and reevaluates them whenever it proposes a rule or a change in a rule. The requirements of Form N-CSR are not generally duplicated elsewhere.

5. Effect on Small Entities

The Commission reviews all rules periodically, as required by the Regulatory Flexibility Act,¹⁰ to identify methods to minimize recordkeeping or reporting requirements affecting small businesses. The current disclosure requirements for reports on Form N-CSR do not distinguish between small entities and other funds. The burden on smaller funds, however, to prepare reports on Form N-CSR may be proportionally greater than for larger funds. The Commission believes, however, that

⁸ See Enhanced Disclosures by Certain Investment Advisers and Investment Companies about Environmental, Social, and Governance Investment Practices, Investment Company Act Release No. 34594 (May 25, 2022) (“Proposing Release”).

⁹ See rule 101(a)(1)(iii)–(iv) of Regulation S-T [17 CFR 232.101(a)(1)(iii)–(iv)].

¹⁰ 5 U.S.C. 601 *et seq.*

imposing different requirements on smaller funds would not be consistent with investor protection and the purposes of certified shareholder reports.

6. Consequences of Not Conducting Collection

Funds are required to file reports on Form N-CSR with the Commission no later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under rule 30e-1 under the Investment Company Act. Less frequent collection would mean that current information might not be available to fund investors.

7. Inconsistencies with Guidelines in 5 CFR 1320.5(d)(2)

This collection is not inconsistent with 5 CFR 1320.5(d)(2).

8. Consultation Outside the Agency

The Commission and the staff of the Division of Investment Management participate in an ongoing dialogue with representatives of the investment company industry through public conferences, meetings, and informal exchanges. These various forums provide the Commission and staff with a means of ascertaining and acting upon paperwork burdens confronting the industry. Before adopting the proposed amendments to Form N-CSR, the Commission will receive and evaluate public comments on the proposal and its collection of information requirements

9. Payment or Gift

No payment or gift to respondents was provided.

10. Confidentiality

No assurance of confidentiality was provided.

11. Sensitive Questions

No information of a sensitive nature, including social security numbers, will be required under this collection of information.

The information collection collects basic Personally Identifiable Information (PII) that may include name and job title. However, the agency has determined that the information collection does not constitute a system of record for purposes of the Privacy Act. Information is not retrieved by a personal identifier.

In accordance with Section 208 of the E-Government Act of 2002, the agency has conducted a Privacy Impact Assessment (PIA) of the EDGAR system, in connection

with this collection of information. The EDGAR PIA, published on 2/5/2020, is provided as a supplemental document and is also available at <https://www.sec.gov/privacy>.

12. Burden of Information Collection

The following estimates of average burden hours and costs are made solely for purposes of the Paperwork Reduction Act of 1995¹¹ and are not derived from a comprehensive or even representative survey or study of the cost of Commission rules and forms. Compliance with Form N-CSR is mandatory. Responses to the collection of information will not be kept confidential.

In our most recent Paperwork Reduction Act submission for Form N-CSR, Commission staff estimated the annual compliance burden to comply with the collection of information requirement of Form N-CSR was 227,137burden hours with an internal cost burden of \$5,949,524. The hour burden estimates for preparing and filing reports on Form N-CSR are based on the Commission's experience with the contents of the form. The number of burden hours may vary depending on, among other things, the complexity of the filing and whether preparation of the reports is performed by internal staff or outside counsel.

The table below summarizes our PRA initial and ongoing annual burden estimates associated with the proposed amendments to Form N-CSR.

¹¹ 44 U.S.C. 3501 *et seq.*

TABLE 1: FORM N-CSR PRA ESTIMATES

	Internal initial burden hours	Internal annual burden hours ¹	Wage Rate ²	Internal Time Costs	Annual external cost burden
PROPOSED AMENDMENTS TO FORM N-CSR					
Total additional burden per filing (proposed new Item 7 of Form N-CSR)	18 hours	11 hours ³	× \$307 (blended rate for a senior accountant, compliance attorney, and senior programmer) ⁴	\$3,377	\$4,872 ⁵
Number of filings		×355 funds ⁶		× 355 funds	× 355 funds
Total additional burden for Form N-CSR		3,905 hours		\$1,198,835	\$1,729,560
TOTAL ESTIMATED BURDENS INCLUDING AMENDMENTS					
Current burden estimates		+227,137 hours			+\$5,949,524
Revised burden estimates		231,042 hours			\$7,679,084

Notes:

1. Includes initial burden estimates annualized over a 3-year period.
2. These PRA estimates assume that the same types of professionals would be involved in satisfying the proposed reporting requirements that we believe otherwise would be involved in complying with this requirement. The Commission's estimates of the relevant wage rates are based on the SIFMA Wage Report
3. This estimate assumes that, after the initial 18 hours that a fund would spend preparing the new item on Form N-CSR, which we annualize over a 3-year period, the fund would incur 5 additional burden hours associated with ongoing preparation of this item per year. The estimate of 11 hours is based on the following calculation: ((18 initial hours / 3) + 5 hours of additional ongoing burden hours) = 11 hours.
4. The \$307 wage rate reflects current estimates of the blended hourly rate for an in-house senior accountant (\$218), compliance attorney (\$368), and a senior programmer (\$334). \$345 is based on the following calculation: (\$368+\$218+\$334) / 3 = \$307.
5. \$4,872 includes an estimated \$1,956 for 4 hours of outside legal services and an estimated \$2,916 for 4 hours of management consultant services.
6. Based on the staff's estimate of the number of funds registered on Form N-1A and Form N-2 with climate-related terms included in the fund name or principal investment strategies. While funds make two filings on N-CSR annually, the disclosure required by this item would only be included on Form N-CSR with a fund's annual shareholder report.

13. Cost to Respondents

Cost burden is the cost of goods and services purchased to prepare and update filings on Form N-CSR, such as for the services of independent auditors and outside counsel. As summarized in Table 1 above, the staff estimates that 355 registrants will be subject to the proposed amendments to Form N-CSR. We further estimate that each registrant will incur \$4,872 in external burden cost per year to comply with these amendments.¹² Therefore, we believe that cost burden associated with Form N-CSR will increase from \$5,949,524 to \$7,679,084 (an increase of \$1,729,560).

¹² \$4,872 includes an estimated \$1,956 for 4 hours of outside legal services and an estimated \$2,916 for 4 hours of management consultant services.

14. Cost to Federal Government

The annual cost of reviewing and processing disclosure documents, including new registration statements, post-effective amendments, proxy statements, shareholder reports, and other filings of investment companies amounted to approximately \$30 million in fiscal year 2021, based on the Commission's computation of the value of staff time devoted to this activity and related overhead.

15. Change in Burden

As summarized in Table 1 above, the estimated hourly burden associated with Form N-CSR has increased from 227,137 hours to 231,042 hours (an increase of 3,905 hours). In addition, the cost burden associated with Form N-CSR has increased from \$5,949,524 to \$7,679,084 (an increase of \$1,729,560). These changes in burden will result from our proposed amendments to Form N-CSR requiring additional disclosure related to a fund's calculations of aggregated GHG emissions of its portfolio. These changes in burden also reflect the Commission's revision and update of burden estimates for all information collections under this OMB control number (whether or not associated with rulemaking changes), and the Commission requested public comment on all information collection burden estimates for this OMB control number.

16. Information Collection Planned for Statistical Purposes

The results of any information collection will not be published.

17. Approval to Omit OMB Expiration Date

The Commission is not seeking approval to not display the expiration date for OMB approval.

18. Exceptions to Certification Statement for Paperwork Reduction Act Submission

The Commission is not seeking an exception to the certification statement.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

The collection of information will not employ statistical methods.